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SUBJECT: EAST CHINA SEA TALKS DISSOLVE INTO ACRIMONY

Classified By: Ambassador J.T. Schieffer. Reasons 1.4 (b/d).

11. (SBU) SUMMARY. This week,s director general-level meetings in Beijing failed to bring the two sides any closer to an agreement on development of oil and natural gas resources in the East China Sea. Instead, China has provoked Japan,s ire by suggesting joint development of an area which Japan claims as its own - the Senkaku islands. End summary.

12. (C) Japan and China are no closer to resolving their differences over oil and natural gas drilling in the East China Sea after director general-level meetings in Beijing on Monday and Tuesday of this week. China appears to have replaced its conciliatory stance with a provocative one by introducing a plan to co-develop hydrocarbon deposits near the the Senkaku islands, an area that Japan strongly defends as its own. MOFA Director General for Asian and Oceanian Affairs Bureau Kenichiro Sasae reported to Emboff that the offer was so bad he told the Chinese he refused to take it back to Tokyo with him.

13. (SBU) The issue of developing the resources that lie under the sea between Japan and China is complicated by the fact that the two countries have never agreed an international boundary and are using separate international treaties to justify their claims. Japan relies on the UN Convention on the Law of the Sea which allows coastal countries to claim an economic zone extending 200 miles (370 Kilometers) from their shores. China bases its claim on the 1958 Geneva Convention of the Continental Shelf that allows coastal countries to extend their borders to the edge of the undersea continental shelf, a perimeter that would lie very close to Okinawa.

14. (SBU) This is Japan and China,s fourth attempt to iron out differences over the oil and natural gas exploitation. The four meetings have produced several proposals for joint development but no agreement. In March 2005 Japan turned down China,s proposal to work together because Japan claimed it was unclear what China was offering. In May 2005 China offered joint development on Japan,s side of the median line but Japan rejected the idea. In late September Japan offered joint development of the fields on both sides of the Japan-China median line but China declined.

15. (SBU) Comment. After Koizumi replaced then Trade Minister Shoichi Nakagawa, who had taken a tough stance toward China, with Toshihiro Nikai, it appeared that a solution to this problem might be possible. However, it now appears that this

issue will continue for some time to come. End comment.
SCHIEFFER